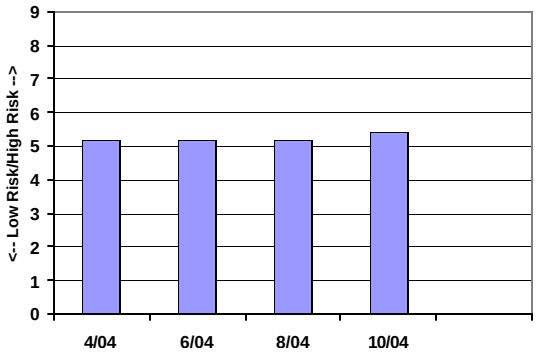
Project Manager: John Anderson **MOSTD Staff:** Tom Parma
Project Director: Heidi Robbins Brown
Executive Sponsor: Doug Porter

Severity/Risk Rating: High (high severity, high risk) **Oversight:** Level 3 – ISB

Overall Project Risk Assessment



Staff Recommendations: ISB oversight staff recommend that DSHS return and present an overview of the project after the project plan, schedule, and other critical controls and processes have been established with the vendor.

Variances:

- Schedule: DSHS was able to release the RFP two weeks earlier than planned. It did however, decide to request a Best and Final Offer from the vendors. The evaluation took additional time and the project is two weeks behind schedule. The federal Centers for Medicare and Medicaid Services (CMS) has been working with DSHS and is attempting to approve the contract 30 days ahead of schedule. This would put the project back on schedule.

- Budget/Cost: The most recent budget report through August 2004 shows a positive variance of $1,496,000 due primarily to underutilization of staff (the Requirements Analysis phase was under spent by $920,340; the RFP phase is under spent to date by $575,566).

- Scope: None.

- Resources: None.

Report Synopsis: On October 12th DSHS announced Client Network Services, Inc. (CNSI) of Rockville, Maryland as the apparently successful vendor. DSHS released the MMIS Reprocurement RFP on June 14, 2004, two weeks ahead of schedule. Four letters of intent were submitted. DSHS received responses from Affiliated Computer Services, Inc. (ACS – the incumbent vendor), CNSI, and Electronic Data Systems (EDS).

ACS has filed a protest of the bid award.

Risks/Mitigation Tasks:
Project management has identified and is tracking the following risks:

ID	Risk	Probability/ Severity	Mitigation Strategy
1	Vendor protest is likely	High/ Med	▪ Train evaluators ▪ Incorporate team members as evaluators ▪ Assign contract analyst to work closely with Central Contracts ▪ Be diligent about following established process ▪ Audit scores/evaluation tool ▪ Appoint resource for protest review
2	Protest impacts schedule	High/ Med	▪ Begin contract negotiations immediately upon announcing the apparently successful vendor
3	Costs higher than budget	Med/ High	▪ Perform budget assessment ▪ Carefully evaluate options and next steps, if any or all are over budget ▪ Consider a Best and Final Offer (BAFO) process to reduce costs and minimize impact on schedule
4	Selection of an unproven technology or vendor	Med/ High	▪ Evaluate need for an "MMIS" expert as a resource (if unproven vendor) ▪ Select a technically strong Technical Evaluation Team ▪ Interview the vendor's technical staff to clarify any concerns regarding architecture/solution
5	Contract not enforced/followed	High/ High	▪ Assign full-time Contract Administrator for Design, Development, and Implementation (DDI) and Operations and Maintenance Phases
6	On-going policy changes that impact ACES, SSPS and MMIS during DDI	High/ Med	▪ Provide Legislative updates geared to minimizing changes ▪ Update ISB and OFM management of strategy to minimize changes via legislative updates ▪ Establish system freeze date with vendor
7	Vendor uses change order process for items promised verbally (in interviews/demos) or that are in the transfer system, but not explicitly asked for by Washington	High/ High	▪ Write RFP requiring vendor to explicitly agree to providing all functionality from the transfer system, regardless of RFP system requirements ▪ Videotape demos/orals to document verbal assertions ▪ Use BAFO or similar process to require vendor to document all features and functionality either identified or otherwise included in the scope of the proposed system offering

ID	Risk	Probability/ Severity	Mitigation Strategy
8	ACES changes – competing resources, adequate staff to analyze	High/ High	▪ Escalate prioritization to the DSHS Executive Steering Committee, if needed ▪ Identify placeholder for Automated Work Request (AWR) to begin next February ▪ Hire full-time interface resource to perform analysis/staff work
9	Aggressive schedule	High/ High	▪ Work with CMS to extend schedule into "contingency year" ▪ Enlist vendor support to develop a realistic schedule ▪ Make oversight entities and stakeholders aware of schedule constraints ▪ Inform oversight entities and stakeholders immediately of schedule slippage
10	Budget tracking – uneven burn rates based on vendor deliverables	High/ High	▪ Forecast expenditures against budget based on planned activities/deliverables (do not assume even burn rates) ▪ Include actuals/accruals/budget amounts, as well as forecast in monthly budget reports

New MMIS Technology: The current vendor, ACS, operates the MMIS system. The proposed systems will again operate in a facilities management (FM) arrangement. IBM is the proposed FM subcontractor providing this services. CNSI/IBM is proposing running the new MMIS system at three locations. The main production facility will be the IBM data center in Boulder, Colorado, the Disaster Recovery and Integrated Test Facility will operate in IBM's Southbury, Connecticut facility, and the Interactive Voice Response IVR and telephony servers will be located at DSHS facilities in Olympia.

The proposed application will run in a UNIX environment and make use of CNSI's eCAMS MMIS core software, iChoice rules engine, Oracle 11i financials, MedStat decision support system, and pharmacy point of sale software from GHS Data Management.

Budget: The project cost was estimated at approximately $180 million in DSHS' investment plan. DSHS is currently in contract negotiations with the apparently successful vendor and has chosen to not release the contents of the financial proposal until contract negotiations are completed.

Background Information

Description: Washington's MMIS is a 1970s legacy system comprised of over 1400 programs and 3,000,000 lines of COBOL code. As with most of these types of systems, it is a VSAM flat file application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates

require program changes and modifications to the data structure, and require recompiling numerous programs followed by significant regression testing.

The Washington MMIS contract was awarded to Consultec Inc. (now ACS State Healthcare) in 1982; Washington had imported an MMIS system implemented in Iowa in the late 1970s. Washington's MMIS became operational in 1983. Following a competitive procurement process for ongoing operations in 1989, the contract was again awarded to ACS.

The system is a CMS certified MMIS with the six subsystems required by the State Medicaid Manual. Added functionalities include: a pharmacy point of sale (POS) system for processing drug claims and a decision support system (DSS) to support ad hoc reporting, MARS (Management and Administrative Reporting System (decision support)) and SURS (Surveillance and Utilization Review Subsystem (fraud) reporting, and the Payment Review Program.

The MMIS processes over 24 million claims annually and pays over $3 billion to participating Medicaid providers. The principal transactions are fee for service claims, over 85% of which are submitted electronically, and capitation payments to managed care plans on behalf of enrolled Medicaid clients.

Major improvements/enhancements to the system since 1989 include:

- 1991 Drug rebate subsystem implemented
- 1993 Primary Care Options Program (PCOP) implemented to support MAA's focus on maximizing managed care for Medicaid clients
- 1996 Pharmacy point of sale (POS) system implemented
- 1999 Access to the MMIS migrated from IBM 3270 terminals to the MAA LAN. A computer output to laser disc (COLD) system installed for electronic storage and retrieval of standardized MMIS reports
- 2000 DSS implemented
- 2001 OMNITRACK call management system implemented
- 2002 PRISM pharmacy benefit management program implemented

At a special Board meeting held via conference call on April 28, 2003, the ISB approved DSHS' investment plan and authorized DSHS to release the MMIS RFP.